

"Thinking Outside the Box"

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The opinions expressed herein are solely those of the author.

On The Postal Service

Cary H. Baer

Thinking Outside The Box

We are coming upon trying times for users of the Postal Service. Apparently in deference to the staff at the Postal Rate Commission and all those who participate in the Commissions postal rate proceedings, the USPS is letting us all have a joyous New Year holiday. However, the Postal Service is now expected to file for higher postage rates sometime after the first of the year.

In fact, rumors abound regarding the expected size of the rate increase. The current expectation is for an increase in the First Class stamp from 33 cents to 35 cents. Significant concerns exist among Periodical and Standard A mailers. For these classes there are rumors that the average increase will exceed 10%.

Increases of this size paint a curious picture given recent testimony concerning the future of mail volume growth.

At a recent congressional hearing the General Accounting Office issued a report utilizing USPS mail volume forecasts. That report stated that beginning in 2003 First Class Mail volume will begin to decline at a rate of 2.5 percent per year for the next five years. With First Class Mail accounting for almost 60 % of USPS revenue, a loss of the magnitude forecast, amounting to billions of dollars per year, would be disastrous.

Normally, facing the prospect of significant volume loss, the last thing one would want to do is accelerate that volume loss through a significant price increase.

Yet, we've not heard the Postal Service say that they will do all they can to prove wrong the forecast of volume losses. It might actually energize the postal system if the USPS said, that through improved service, new financial incentives, and other marketing ideas, for the foreseeable future they intend to keep First Class Mail growing.

Now back to the reason for the title of this piece, "thinking outside of the box". Perhaps it time to consider alternatives to current methods of operation. The balance of this article consists of a few thoughts on different ways operating that might provide savings for the Postal Service.

First, let's look at the forwarding of First Class Mail, something that clearly needs to be done. Several years ago the USPS, working with many of its customers, reclassified many categories of mail. That reclassification bundled together several automation requirements, including one related to address quality. One objective of reclassification was to provide more efficient mail for the USPS to process and then to reward, thru lower price, those mailers who would participate in the program.

While the program may be working in terms of more efficient mail, it has not reduced the volume of mail being forwarded. The Postal Service audited the system to determine if mailers are updating their mailing lists as often as the reclassification guidelines require. The audit revealed that compliance is a problem. However, it's not the only problem. More could be done to reduce mail forwarding costs, which according to the Postal Service are in excess of 1 billion dollars annually. To help capture savings I'd put a VP level officer in charge of reducing mail forwarding costs. He or she would get a significant bonus, if and only if, the volume of mail flowing through the mail forwarding sites was reduced. Secondly, I'd develop programs to reward mailers if they reduced their volume of forwarded mail. For example, since the forwarding system is capable of tracking the mail sender, a rebate system could be developed to reward mailers with a low percentage of mail requiring forwarding.

Now I'd like to shift the discussion to the Postal Service's Inspection Service. They do a fine job. However, I question whether the Postal Service and therefore it's customers should be paying for all that they do.

Let me explain. If someone steals a car and then uses that car to rob a bank, is it the responsibility of the of the automobile manufacturer or the bank to track down and arrest the perpetrator? Obviously not.

Therefore, why is it the responsibility(some or all) of the Postal Service to track down and arrest those who use the mail to commit crimes. I'm not suggesting that these crimes go unchallenged, rather I'm asking if the FBI and the Justice Department should be the responsible federal agencies? In my view the Inspection Service should stick to issues dealing with the operation of the Postal Service and let external crime fighting be the responsibility and cost of the appropriate governmental agency.

I don't want to appear to pick on the Inspection Service, but will raise another issue that occurred to me some time ago. Several years ago I visited a new postal facility near O'Hare Airport. I was quite impressed with the facility and with the internal movement of trayed mail via an elaborate conveyor system. While touring the facility I noticed a system of extremely large metal tubes, over six feet in diameter, hanging from the ceiling, and apparently circling much of the facility. Being somewhat curious, I asked the plant manager what they were. He responded that they were the system the Inspection Service used to monitor postal workers without their knowledge. I should note here that there were several sections with what appeared to be mirrors, but actually were one way glass, that permitted viewing by Postal Inspectors positioned inside. I asked the plant manager how much this monitoring system added to the plants cost. He had no idea, but made it clear that it was required as part of the plants construction.

This method of checking on employees fails in two areas; it's expensive and reinforces the poor labor relations image that's often associated with the Postal Service.

I have no idea how much the Postal Service spends on constructing these observation posts. However, we do know that over the last two years the Postal Service spent about \$ 1.7 billion on "Construction and Building Purchase" and over \$ 1.1 billion on "Building Improvements". It's a good bet that some of this money was spent on these posts. Perhaps these funds could have been more productively utilized. Ripping out these "observation posts" would go a long way to improving the relationship between labor and management. Better labor/management relationship might improve postal productivity.

In any case, while you may disagree with these ramblings, it seems clear that out of the box thinking is urgently necessary. I'd like to hear other similar productivity enhancing thoughts from our reader's.

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